

HOUSE BILL REPORT

HB 3303

As Reported by House Committee On:
Finance

Title: An act relating to a business and occupation tax credit for qualified preproduction development expenditures for polysilicon manufacturers.

Brief Description: Providing a business and occupation tax credit for qualified preproduction development expenditures for polysilicon manufacturers.

Sponsors: Representatives Grant, Walsh, Haler and Linville.

Brief History:

Committee Activity:

Finance: 2/6/08, 2/12/08 [DPS].

Brief Summary of Substitute Bill

- Establishes legislative intent to encourage jobs via tax incentives for manufacturing of polysilicon.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Hunter, Chair; Hasegawa, Vice Chair; Orcutt, Ranking Minority Member; Conway, Ericks, McIntire and Santos.

Minority Report: Do not pass. Signed by 2 members: Representatives Condotta, Assistant Ranking Minority Member; Roach.

Staff: Don Taylor (786-7388).

Background:

Washington's principal tax on businesses is the state business and occupation (B&O) tax. The B&O tax applies to the gross receipts derived from engaging in business. Although the tax does not reflect the cost of doing business, there are a variety of exemptions, deductions, and other tax incentives permitted by law. Major tax rates are 0.484 percent for manufacturing and wholesaling; 0.471 percent for retailing, and 1.5 percent for services; and several lower rates

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also apply to specific business activities. The B&O tax generates about 16 percent of all state tax collections; most of the receipts are deposited in the State General Fund.

Summary of Substitute Bill:

The bill contains a statement of legislative intent to encourage family wage jobs by providing tax incentives for firms that manufacture polysilicon for use in solar panels.

Substitute Bill Compared to Original Bill:

The tax incentives contained in the original bill were replaced by a statement of legislative intent, which indicates that the Legislature intends to encourage family wage employment by providing tax incentives for manufacturing of polysilicon that is used in the production of solar panels.

Appropriation: None.

Fiscal Note: Preliminary fiscal note available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) The proposed \$1.2 billion facility would be a real boom for the regional economy of southeast Washington, in addition to the entire state. The plant is exploring three other sites – including one in Iceland – and it could locate virtually anywhere in the world. The tax incentive is necessary to bring the facility and many high-paying jobs to Washington. The plant will manufacture polysilicon components of solar panels. The products are shipped throughout the entire world.

Although the fiscal note considers only those tax provisions in the actual legislation, it should be noted that the state property taxes paid on the plant would offset the credit against the business tax. Also, the investment would increase the assessed value of the county by one-third, resulting in a huge reduction in local property tax rates for existing property taxpayers.

The facility will provide approximately 1,000 construction jobs and 300 permanent jobs with an average salary of \$40,000 plus benefits.

(Opposed) None.

Persons Testifying: Representative Grant, prime sponsor; and Greg Tompkins, Walla Walla County.

Persons Signed In To Testify But Not Testifying: None.